

4.7 SOCIOECONOMIC CONDITIONS

4.7.1 ALTERNATIVE A – PROPOSED CASINO AND HOTEL

Alternative A would consist of three phases of development. The Interim Phase would consist of the Tribe converting the existing clubhouse into an interim 95,680 square foot (sf) casino where it would conduct Class III gaming and race booking. Phase I would consist of the development of a 998,600 sf main casino. Phase II would consist of the development of a hotel and conference center. The socioeconomic impacts resulting from the construction and operation of these three phases of development are analyzed below. The analysis presented below is summarized from the Economic Impact and Fiscal Impact of Proposed Kenosha Casino Project provided as **Appendix J**.

ECONOMIC EFFECTS FROM CONSTRUCTION

Constructing the three phases of Alternative A would create jobs, earnings and taxes. **Table 4.7-1** summarizes the projected expenditures and anticipated capital costs for Alternative A. As noted in **Table 4.7-1**, the three phases have a total projected development budget of \$808,000,000. This budget includes the projected costs associated with material and labor, bought locally, in other parts of Wisconsin, and out of state. It is important to note that the construction impacts will be felt in the Kenosha area over a period of time since the building of the three phases is projected to extend over a three and a half year period.

TABLE 4.7-1
SUMMARY CONSTRUCTION BUDGET – ALTERNATIVE A

Budget Category	Dollars			
	Interim Phase	Phase I	Phase II	Total
Site Acquisition	40,500,000	-	-	40,500,000
Construction/Site Work	9,487,000	295,796,000	135,773,000	441,056,000
Furniture, Fixtures & Equipment	1,370,000	22,287,000	19,004,000	42,661,000
Miscellaneous Costs	11,098,000	45,663,000	20,653,000	77,414,000
Multi-Purpose Entertainment Facility	-	13,687,000	-	13,687,000
Gaming Related Equipment	8,669,000	44,158,000	7,408,000	60,235,000
Financial Costs	17,449,000	69,942,000	13,477,000	100,868,000
Contingency	1,428,000	26,467,000	3,685,000	31,580,000
Total Construction Budget	90,001,000	518,000,000	200,000,000	808,001,000

SOURCE: ERA, 2005; AES, 2005.

According to industry averages, approximately 50% of the construction budget can be allocated towards labor and 50% towards materials. The local area for the employment is defined as Kenosha, Racine, and Walworth counties with the majority of that labor coming from Kenosha County.

The Southeastern Wisconsin Building and Construction Trades Council has an agreement with any contractor who works on this project, which stipulates that a minimum of 50% of the labor must come from the local area and must be a member of the union. It is estimated that the local labor supply could support up to 75% of the total labor force. An additional 15% could come from other parts of Wisconsin with the remaining 10% for labor from Illinois and elsewhere.

Based on a construction material, supply, and location matrix developed for the project, it was estimated that 25% of the construction materials would be purchased from Kenosha County during the Interim Phase, and 25% during Phases I and II. Approximately 40% of the construction materials would be purchased from vendors in other parts of Wisconsin during the Interim Phase, 40% during Phase I, and 50% during Phase II.

From January 2006 to June 2009, construction activity for the project is estimated to have a local impact of roughly \$170 million with a total impact in the State of Wisconsin at \$275 million (**Table 4.7-2**). The local labor budget could total approximately \$130 million and the local material construction budget could total up to \$41 million over the three and half year period.

TABLE 4.7-2
SUMMARY OF LABOR AND MATERIAL BUDGET IN WISCONSIN – ALTERNATIVE A

Budget Category	Local	Non Local	Total
Labor	129,602,000	25,920,000	155,522,000
Material	40,519,000	78,970,000	119,489,000
Total	170,121,000	104,890,000	275,011,000

SOURCE: ERA, 2005

According to the U.S. Department of Commerce, Bureau of Labor and Statistics (BLS), the mean annual wage for a construction worker in the Kenosha area is \$43,600. Assuming that the average benefits package is 30% in addition to their annual wages, each construction worker has a wage and benefits package of \$56,700. Using 2,080 hours as a standard for annual hours worked per construction employee, it is estimated that 2,300 Full-Time Equivalent (FTE) local jobs would be created over a three and half year period. Over the life of the construction project, the labor budget could support 660 construction workers on an average annual basis.

ECONOMIC EFFECTS FROM OPERATION**Employment**

Table 4.7-3 summarizes the estimated employment, wages, and benefits for each phase.

TABLE 4.7-3
ESTIMATED EMPLOYMENT WAGES AND COMPENSATION – ALTERNATIVE A

	Interim Phase	Phase I	Phase II
Total Non-Management FTE Workers	1,109	2,751	3,337
Average Hourly Rate	14.27	11.68	14.76
Average Annual Wage	29,682	24,285	30,706
Average Benefits Per FTE	12,700	10,099	10,782
Average Annual Wages and Benefits	42,382	39,085	41,488
Total Annual Wages	35,607,000	86,883,000	112,117,000
Total Annual Benefits	14,863,000	35,163,000	45,661,000
Total Annual Non-Management Compensation	50,470,000	122,046,000	157,778,000
Total Management Wages	2,120,000	2,950,000	3,370,000
Total Annual Compensation	52,590,000	124,996,000	161,148,000

SOURCE: ERA, 2005

It is estimated that 80% of the operating workforce would be from Wisconsin and that the majority would primarily come from Kenosha, Racine, and Walworth counties. The majority of this workforce currently resides in the area and very few individuals will move to Kenosha for these jobs. This will minimize the need for new housing and school capacity in the area as discussed below.

Table 4.7-3 shows the total employment of Alternative A. However, the DGP employs approximately 258 workers. The incremental change in the number of employees at the project site is accordingly estimated by subtracting the existing employees from the total employees. Once the Interim Phase opens, the casino will need to hire about 850 additional workers. Persons from Wisconsin would fill an estimated 680 of these new jobs. Applying the same logic to Phase I and II, the facility will hire an additional 1,300 workers from Wisconsin for Phase I and 470 more workers for Phase II.

Estimated Expenditures on Goods and Services

Table 4.7-4 outlines the operating budget for Alternative A based on the different phases of the project. As noted in the table, there are significant increases in the budget as different phases are completed.

TABLE 4.7-4
SUMMARY OF EXPENDITURES ON GOODS AND SERVICES – ALTERNATIVE A

	Interim Phase	Phase I	Phase II
Costs of Goods Sold	2,198,000	6,407,000	10,689,000
Casino Special Events and Entertainment	2,688,000	13,925,000	26,383,000
Marketing, Promotions, and Advertising	5,664,000	16,342,000	45,542,000
Utilities, Insurance, Fees and G&A	16,164,000	27,013,000	42,348,000
Total	26,714,000	63,687,000	124,962,000

SOURCE: ERA, 2005

Based on the location of the project, a large amount of the supplies needed for the project probably cannot be purchased from the Kenosha area because the local market may not produce or manufacture many of these goods. For purposes of this report, it is estimated that approximately 25% of the total goods, services, insurance and utility expenditures would be purchased locally - \$31,200,000 at Phase II. Of the \$31 million, approximately \$6 million will be spent on casino special events and entertainment, \$10 million on marketing, promotions, and advertising, and \$15 million on utilities, insurance and fees.

Estimated Visitor Expenditures

There are over 14.8 million adults within 100 miles of the project site – a significant population from which to draw gaming and entertainment patrons. While other gaming venues are within the same driving range as Kenosha, the scale and multi-faceted concept of Alternative A represents a destination opportunity for potential gaming patrons from outside the immediate area for short getaway trips. These potential patrons could easily drive for day trips to the casino; however, the appeal of staying for an overnight visit rather than a simple day trip would likely result in increased hotel utilization and expenditures. Approximately 124,000 room nights would result in the casino hotel once it is completed in Phase II. This figure could be expanded to reflect both overnight visitors prior to build-out of the casino hotel as well as visitors that select other lodging facilities in the area. It is estimated that approximately 2.5% of the gaming visits could involve overnight stays.

This also means that during the years until Phase II is opened, the full 8% hotel/motel tax as well as the 5.5% sales tax will be collected by the existing hotel/motel operators and distributed to the State, County and the Convention and Visitors Bureau (CVB) as part of their current policies. Once the hotel in Phase II opens, some shift of overnight stays will occur and some overnight visitors will probably continue to stay in non-casino hotels/motels.

Using CVB average daily room rate (ADR) of \$67, it is estimated that hotel room revenues of \$5 million and hotel room taxes of \$400,000 would be generated during the interim period. Inclusion of the hotel in the casino project has the net effect of extending the duration of a visitor's stay in the Kenosha area thereby potentially increasing the potential spin-off into the local economy for non-casino businesses.

HOUSING

The development of Alternative A would result in the creation of approximately 3,337 new jobs. As discussed above, the majority of employees would primarily come from Kenosha, Racine, and Walworth Counties. It is expected that most employees would reside within their existing communities and would not need to relocate. However, some employees may choose to relocate to Kenosha and the surrounding communities. As noted in **Section 3.7**, approximately 7,087 vacant available units were available in 2000, approximately twice the number of jobs created by Alternative A. Due to the existing labor base in surrounding communities and the number of available vacant units, the potential effects to housing are expected to be less than significant.

COMMUNITY INFRASTRUCTURE

Schools

As discussed in **Section 2**, through the provisions of the Inter-Governmental Agreement (IGA) the Tribe has committed to providing payments to the Kenosha Unified School District and the County to distribute to other school districts. These payments include the following:

- In any calendar year where payments received by the City of Kenosha exceed two million (\$2,000,000) dollars from the Tribe, the City shall provide \$500,000 to the Kenosha Unified School District and the County shall provide five hundred thousand (\$500,000) dollars to be distributed to the high school districts located west of Interstate 94 in the county of Kenosha, as determined by the County.
- In any Calendar Year where payments received by the City exceed \$2,000,000 the Tribe shall annually provide \$1,500,000 dollars to the City for distribution to the Kenosha Unified School District and one and one-half million (\$1,500,000) dollars to schools on the Menominee Indian Reservation.

These payments will result in a significant beneficial impact to the local school districts as well as to schools on the Menominee Indian Reservation.

POTENTIAL SOCIAL COSTS ASSOCIATED WITH GAMBLING

Substantial research has been conducted on the social costs associated with gambling across the nation, most comprehensively in a report issued by the National Gambling Impact Study Commission (NGISC, 1999). The NGISC commissioned companion reports on the issues of pathological or compulsive gambling by the National Research Council (NRC) and National Opinion Research Center (NORC). The NGISC also “held hearings throughout the country, heard testimony on a number of relevant topics, reviewed thousands of articles and comments, and considered academic research” (NGISC, 1999:7-2). In its report the NGISC provided an in-depth analysis of the effects of gambling, including effects on people and places and problem and pathological gambling. The NGISC provided estimates based on the results of the NRC and NORC reports:

The NRC estimated the “lifetime” rate of pathological gambling to be 1.5 percent of the adult population, or approximately 3 million people. In addition, in a given year, 0.9 percent of all adults in the United States, approximately 1.8 million people, meet the necessary criteria to be categorized as “past year” pathological gamblers. The NRC estimated that another 3.9 percent of adults (7.8 million people) meet the “lifetime” criteria for problem gambling, and that 2 percent (4 million people) meet “past year” criteria. The NRC also stated that between 3 and 7 percent of those who have gambled in the past year reported some symptoms of problem or pathological gambling.

The NORC study, based on a national phone survey supplement with data from on-site interviews with patrons of gambling establishments, concluded that approximately 1.2 percent of the adult population (approximately 2.5 million people) are “lifetime” pathological gamblers and that 0.6 percent (approximately 1.2 million) were “past year.” An additional 1.5 percent of the adult population (approximately 3 million) fit the criteria for “lifetime” problem gamblers; “past year” problem gamblers were 0.7 percent of the population (approximately 1.4 million). Based on “lifetime” data, more than 15 million Americans were identified as “at-risk” gamblers (NGISC, 1999:4-5).

NORC estimated that the annual average costs of job loss, unemployment benefits, welfare benefits, poor physical and mental health, and problem or pathological gambling treatment is approximately \$1,200 per pathological gambler per year and approximately \$715 per problem gambler per year (NGISC, 1999:4-14).

The NGISC concluded that as “the opportunities for gambling become more commonplace, it appears likely that the number of people who will develop gambling problems also will increase.”

Future research efforts must address not only the treatment of this disorder, but also prevention and intervention efforts that may prove useful in stopping problem and pathological gambling before it begins. Prevention of problem and pathological gambling is especially important in adolescents, who appear to be a population at risk for developing problems with gambling.” (NIGSC, 1999:4-19).

The Tribe is concerned about problem gamblers and the potential social and economic costs associated with pathological gamblers. Accordingly, the Tribe, through the Menominee Kenosha Gaming Authority (MKGA), will create and implement a detailed, responsible gaming policy as identified in Section 2(C) of the IGA (**Appendix B**). In creating the policy, the MKGA will review the policies of other casino operators throughout the United States and seek the advice of the Wisconsin Council on Problem Gambling and the Kenosha County Department of Health & Human Services. The Authority’s responsible gaming policy will include the following provisions:

- Financial support for the Wisconsin Council on Problem Gambling and other problem gambling organizations that provide problem gambling services in Kenosha County,
- Development of brochures, pamphlets, videos and other materials for the purpose of promoting responsible gambling, including establishment of a help line at the proposed casino,
- Cooperation with local area media to promote awareness of problem gambling,
- Institution of exclusion, self-exclusion, and self-limitation policies,
- Training for all employees on the issue of problem gambling, including education of employees of the nature of problem gambling, how to recognize such behavior and resources available to help problem gamblers,
- Sponsorship and support for problem gambling conferences and workshops,
- Prohibition of underage gambling, including identification of gambling customers, display and advertisement of legal age to gamble, heightening awareness of customer responsibility when bringing children to the proposed casino and working with educational institutions and other local organizations to raise awareness of problem gambling,
- Prohibition on gambling by employees of the proposed casino,
- In any year that the Tribe conducts gaming in Kenosha and for which the County has appropriated funds specifically for the assessment and treatment of problem gamblers, the Tribe shall pay to the County, as a match, an amount equal to the County’s appropriation, limited to a total annual payment to the County of one hundred fifty thousand (\$150,000) dollars.

These measures would reduce the occurrence of problem gambling behavior at the proposed casino and would provide substantial resources to community programs that address problem gambling issues. Therefore, the potential effects from problem and pathological gambling are expected to be less than significant.

EFFECTS TO THE MENOMINEE INDIAN TRIBE

The casino is projected to generate millions of dollars annually for the Tribe. According to IGRA, “net revenues from any tribal gaming are not to be used for purposes other than (i) to fund tribal government operations or programs; (ii) to provide for the general welfare of the Indian tribe and its members; (iii) to promote tribal economic development; (iv) to donate to charitable organizations; or (v) to help fund operations of local government agencies.” The Tribe is required to develop a plan for using these funds for these activities before making distributions to individual tribal members. Revenues generated by Alternative A would be used to better the socioeconomic conditions of tribal members by funding tribal programs, including health care, law enforcement and education. These revenues will assist in alleviating the chronic under-funding of tribal programs.

EFFECTS TO LOCAL AND STATE GOVERNMENTS

Fiscal impacts include state and local government taxes, fees and intergovernmental agreements. For instance, the state income tax on wages from the construction and operational phase jobs would have a substantial fiscal impact, as would the annual direct payments from the proposed casino that would be made under the IGA. Such taxes and payments would compensate for property tax revenue lost through transfer of property to trust. The payments to be made by the proposed casino during the three phases of Alternative A are identified along with the government unit that would be the primary beneficiary (i.e. City, County, State).

Construction Effects

State Income Tax from Wisconsin Construction Workers

Using state income tax rates published by the Wisconsin Department of Revenue, it is estimated that the project construction workers could generate up to a total of \$7.3 million in state income taxes during the construction period.

Retail Sales Taxes from Construction Workers

Looking at the Kenosha County consumer expenditure potential, it was determined that roughly 32% of household income would be subject to a sales tax. It should be noted that these taxes are non-annual and should be considered a one-time payment to the County and State over the life of the construction project. Approximately \$1.5 million in state sales taxes and approximately \$146,000 in county sales tax could be realized from the construction phase.

Operation Effects

Tribal compact with the State

The Tribe, through the MKGA, would pay the State of Wisconsin between 7-7.5% of the Net Win. Net Win is the amount retained by the casino after winnings and bad debt is subtracted from the total amount bet. As shown in **Table 4.7-5**, this annual payment to the State of Wisconsin is estimated to total approximately \$12 million at the Interim Phase, more than \$26 million at the completion of Phase I, and almost \$35 million at the completion of Phase II.

Intergovernmental Agreement Payments

The IGA (**Appendix B**) defines the various types of payments and contributions MKGA will make. These payments are summarized in **Table 4.7-5** and are described below.

- Net Win Payment to the City - After establishment of Federal Trust Land, the Tribe will pay the City 3% of Net Win through Phase I. After completion of Phase II, these payments increase to 4% of Net Win as long as gaming occurs at the facility. By the third fiscal year, this payment is estimated to total more than \$10.5 million and increase to \$18.2 million by the fifth fiscal year.
- Payments to School Districts - When payments to the City exceed \$2 million (which is anticipated in each full year), the City shall provide \$500,000 to the Kenosha Unified School District and the County shall provide \$500,000 to be distributed to the high school districts located west of I-94 in the County of Kenosha.

Payments and Charitable Contributions

The Tribe has committed to making the following charitable contributions through the IGA.

- Payments for Public Purposes - This is a one-time payment of \$5 million and will establish a trust for public museums, homeless persons in the city, and to address cultural and charitable needs in the County of Kenosha.
- Payments to Schools – When payments to the City exceed \$2 million (Net Win totals more than \$67 million), the Tribe will make a payment of \$1.5 million to the City for distribution to the Kenosha Unified School District and \$1.5 million to the schools of the Menominee Indian Reservation. This payment would occur annually.
- The Tribe has committed to make an annual payment of \$150,000 to the County to address responsible gaming.

TABLE 4.7-5
CHARITABLE CONTRIBUTIONS AND PAYMENTS TO THE STATE AND CITY– ALTERNATIVE A

	Interim Phase	Phase I	Phase II
Compact Payments to the State	12,100,000	26,300,000	34,800,000
Payments to the City	4,900,000	10,500,000	18,200,000
Charitable Contributions			
One time payment-to City	5,000,000		
Payments to Schools by Tribe			
Kenosha Unified School District	1,500,000	1,500,000	1,500,000
Menominee Indian Reservation	1,500,000	1,500,000	1,500,000
Responsible Gaming Program-to County	150,000	150,000	150,000

SOURCE: ERA, 2005

Hotel and Sales Taxes

Based on agreements signed by the Tribe and the CVB, the Tribe will charge an 8% hotel room tax on all rooms except complementary rooms. The CVB will receive 90% of this hotel room tax with the tribe retaining 10%. The Tribe has also agreed to charge a tribal sales tax of 5.5% on all items purchased at the casino with the County of Kenosha receiving 30% of this total for the first 20-years and 20% in all subsequent years. All complementary items, such as food, beverages, retail, and entertainment will not be charged a tribal sales tax. Based on potential revenue generated, it is assumed that 50% of all hotel room revenue, food, beverage, retail, and entertainment would be complementary.

Table 4.7-6 summarizes the estimated hotel and sales taxes generated by Alternative A. These estimates are based on an annual room night activity of approximately 75,000 generated by the casino attraction during its first 3 full years of programming. The estimates used an average daily room rate (ADR) of \$67 for a yearly hotel room revenue estimate of approximately \$5 million dollars. Once the casino hotel does open, it is assumed that local hotel room nights generated would decrease to 50,000. In 2003, the operating budget of the CVB was \$650,000; therefore the impact from payments in Alternative A to the CVB represents a substantial increase in its budget and presents the opportunity to substantially increase the tourism marketing of the Kenosha area. **Table 4.7-7** shows the estimated visitor expenditures and sales taxes that will be generated outside of the casino. Using the room night demand of 75,000 and applying an average of 2 people per room, it is estimated that prior to the opening of the casino hotel, the casino will generate 150,000 overnight visitors to the Kenosha area. It is anticipated that once the casino hotel does open, overnight visitors staying outside the casino will decrease, but total overnight

visitors will increase to an estimated 350,000 people. It is estimated that overnight visitors will spend approximately \$45 on food and beverage, retail, and entertainment outside of the casino.

TABLE 4.7-6
HOTEL TAXES AND SALES TAXES GENERATED FOR THE CVB AND COUNTY – ALTERNATIVE A

	Interim Phase	Phase I	Phase II
Hotel Room Revenue	5,000,000	5,000,000	7,504,000
Hotel Room Tax	400,000	400,000	600,000
CVB Receives	360,000	360,000	540,000
Tribal Tax	-	-	228,000
County Receives	-	-	69,000

SOURCE: ERA, 2005

TABLE 4.7-7
ESTIMATED VISITOR EXPENDITURES AND SALES TAXES GENERATED OUTSIDE THE CASINO IN THE KENOSHA AREA – ALTERNATIVE A

	Interim Phase	Phase I	Phase II
Overnight Visitors	150,000	150,000	348,000
Total Expenditures	\$6,750,000	\$6,750,000	\$15,660,000
Day Trip Visitors from Outside Kenosha Area	858,000	3,005,000	3,449,000
Food, Retail, Miscellaneous Expenditures	\$4,288,000	\$15,023,000	\$17,243,000
Total Retail Expenditures	\$11,038,000	\$21,773,000	\$32,903,000
Retail Taxes			
State	\$552,000	\$1,089,000	\$1,645,000
County	\$55,200	\$108,900	\$164,500
Total	\$607,200	\$1,197,900	\$1,809,500

SOURCE: ERA, 2005

Using visitor projections and discounting Kenosha patrons and overnight visitors, the number of day trip visitors from outside the Kenosha area was projected. Projected total sales expenditures are based on an average expenditure of \$5 for food and beverage, retail, and miscellaneous expenditures outside of the casino.

Utility Taxes

Based on available data, it is estimated that Alternative A would result in an annual gas and electric utility tax of \$195,000. The State will receive \$178,000 with the County receiving \$18,000. Under the IGA agreement, the Tribe, through the MKGA shall also pay to the Kenosha Water Utility all usual and customary fees associated with sewer, water, and storm water charges.

Retail Sales Taxes on Items Purchased at Casino

Based on retail revenue projections provided through the Market Assessment Report and using the assumptions regarding tribal sales taxes, **Table 4.7-8** illustrates the various taxes generated through retail sales.

TABLE 4.7-8
ESTIMATED TAXES GENERATED FOR THE COUNTY THROUGH TRIBAL SALES TAXES –
ALTERNATIVE A

	Interim Phase	Phase I	Phase II
Projected Revenue			
Food & Beverage	5,600,000	10,250,000	16,350,000
Retail	150,000	600,000	1,250,000
Entertainment	-	1,350,000	3,300,000
Estimated County Taxes Generated	94,000	201,000	345,000

NOTE: The MKGA agreed to charge a tribal sales tax payable to the County of Kenosha. Projected revenue potential was discounted for complementary rooms.
SOURCE: ERA, 2005

State Income Taxes from Wisconsin Casino Employees

The jobs created by Alternative A, with the substantial total payroll associated with the jobs, would create an additional source of revenue for the State. Using state income tax rates published by the Wisconsin Department of Revenue, the state income taxes generated by each individual casino employee and managerial employees was calculated based on each of their respective wages. As noted above it is assumed that 80% of these workers would be from Wisconsin. The remaining employees would pay income taxes in their resident states. **Table 4.7-9** summarizes the total amount of taxes generated for the State of Wisconsin during each phase of development.

Property Taxes from Wisconsin Casino Employees

For new property taxes to be taken into consideration, the number of employees who either relocated to the area or will be able afford to buy a home and pay property taxes because of the development of Alternative A was estimated. Based on the assumption that most future casino employees are already in the area, it is expected that Alternative A would have no direct property tax implications.

TABLE 4.7-9
ESTIMATED STATE INCOME TAXES GENERATED – ALTERNATIVE A

	Interim Phase	Phase I	Phase II
Annual Taxes for FTE Workers from Wisconsin	1,675,000	3,851,000*	5,257,000*
Annual Taxes from Managerial Wages	136,000	191,000	218,000
Total Taxes	1,811,000	4,042,000	5,475,000

NOTE: *Includes the salaries provided by a third party.

SOURCE: ERA, 2005

Retail Sales Taxes from Wisconsin Casino Employees

As noted in previous sections, it was determined that approximately 32% of household income could be susceptible to sales tax. As shown in **Table 4.7-10**, by the completion of Alternative A, over \$1.58 million in additional sales taxes are anticipated. The managerial employees will also spend a portion of their income in the local area and this will increase state and county taxes from retail sales. Based upon estimated sales taxes, there will be significant benefit to existing retail space and some demand for new retail space.

TABLE 4.7-10
SALES TAXES GENERATED FROM WISCONSIN CASINO EMPLOYEES¹ – ALTERNATIVE A

	Interim Phase	Phase I ²	Phase II ²
State Taxes	457,000	1,062,000	1,439,000
County Taxes	46,000	106,000	144,000
Total Taxes	503,000	1,168,000	1,583,000

NOTES: 1. In Nominal Dollars - determined using a 2.5% inflation rate

2. Includes taxes generated by third party employees

SOURCE: ERA, 2005

Third Party Facilities

Part of the business plan for Alternative A is to create additional dining and retail opportunities with the project. These are referred to as “third party facilities” and would be leased space within the project envelope. Since these are anticipated to be non-tribal entities that operate leased facilities (such as fine dining), these would subject to certain additional taxes.

Third parties that lease property at the casino will be responsible for two types of real estate taxes, personal and real property taxes. Based on discussions with city officials, to determine the real property taxes, the city would look at the income potential of the facility, minus expenses, use a cap rate in the range of 9%, minus the value of the land, and apply the property tax rates.

Potential taxes are based on an industry wide rule of thumb where expenses are about one-third of total revenue. Based on discussions with the City of Kenosha, it was assumed that the value of the land would be \$250,000 per acre. This value was then converted to dollars per square foot. It should be noted that as the project moves forward, the value of the land will increase and the property tax rates could change.

Table 4.7-11 summarizes the various fiscal impacts associated with the real property taxes.

TABLE 4.7-11
PROJECTED REVENUE AND PROPERTY TAXES FROM THIRD PARTY FACILITIES – ALTERNATIVE A

	Phase I			Phase II		
	Square Feet	Revenue Per sq. ft.	Projected Revenue	Square Feet	Revenue Per sq. ft.	Projected Revenue
Restaurants	27,400	603	16,522,200	27,400	603	16,522,200
Retail	33,600	603	20,260,800	33,600	603	20,260,800
Nightclub	-		-	9,000	603	5,427,000
Total			36,783,000			42,597,635
Expenses		33%				
Cap Rate		9%				
Value of Land			350,000			505,000
Income Potential			2,388,000			2,637,000
Property Taxes - 2004	23.149/\$1,000					
Total			60,600			67,600

Note: Land value is calculated based on acreage of third party retail and restaurant facilities. The square footage totals 61,000 square feet, or 1.4 acre. At \$250,000 per acre, the value of land used by third party facilities is \$350,000.

SOURCE: ERA, 2005

Additional revenue will be generated under personal property tax codes; it is estimated that \$15,000 to \$20,000 in personal property taxes would be generated.

Using the revenue line items from **Table 4.7-11**, third party businesses will be responsible for collecting sales taxes on all purchases. As shown in **Table 4.7-12**, this will generate annual sales taxes of approximately \$2 million during Phase I and up to \$2.3 million during Phase II.

TABLE 4.7-12
SALES TAXES GENERATED FROM THIRD PARTIES – ALTERNATIVE A

	Phase I	Phase II
State Taxes	1,839,000	2,130,000
County Taxes	184,000	213,000
Total Taxes	2,023,000	2,343,000

SOURCE: ERA, 2005

Summary of Effects to Local and State Governments

As detailed above, Alternative A would provide substantial new revenues for state and local governments. These payments, including fees, taxes, and contributions have been negotiated with the City of Kenosha and the County of Kenosha to mitigate potential fiscal impacts to these jurisdictions. The payments are expected to compensate these jurisdictions for services and support to the proposed development including law enforcement and judicial service, fire protection, emergency medical service, traffic controls, bus service, sewer and water service, stormwater control, street and highway maintenance and plowing, social services, alcohol beverage licenses, and other services. Effects to local and state governments are therefore considered to be less than significant.

EFFECTS TO REGIONAL TRIBES

Effects to regional tribes have been evaluated as part of a broader Socioeconomic Impact Analysis by Economics Research Associates (ERA) and in a focused report by PricewaterhouseCoopers LLP (**Appendix J**).

The Ho-Chunk Nation and the Forest County Potawatomi Community (FCP) operate the gaming facilities identified in **Section 3.7**. The market analysis below is based on 60-minute drive-time regions along the I-94 Corridor. As such, the Ho-Chunk Nation facilities are situated outside of the market area discussed below, and are expected to share the same market considerations as the rest of the State of Wisconsin. However, the facilities operated by the FCP in Milwaukee could potentially be impacted by the operation of Alternative A.

Forest County Potawatomi Community

Analysis on potential impacts to the FCP gaming operation is based in part upon assumptions related to such factors as access to facilities, program scale, local amenities and marketing/incentive programs. Access is discussed in terms of “drive-time markets,” which express population sizes at given distances from each facility. These distances are geographically expressed in terms of time required to travel to each facility from the surrounding region. **Table 13** shows drive-time adult population sizes for both the proposed facilities and the existing Potawatomi facilities in Milwaukee.

TABLE 4.7-13
DRIVE TIME ADULT POPULATIONS-KENOSHA AND MILWAUKEE MARKETS

Kenosha Area Market		Milwaukee Area Market	
0 – 20 Minutes	84,833	0 – 20 Minutes	673,763
20 – 40 Minutes	648,197	20 – 40 Minutes	346,286
40 – 60 Minutes	1,379,378	40 – 60 Minutes	355,453
Total	2,112,408	Total	1,375,502

SOURCE: ERA, 2005

Assessment of the visitor economic impact of the Kenosha Casino on the Milwaukee market is reliant in part upon consideration of both the adult market segments and overlap, as well as the related propensity to gamble and average trip budget considerations which vary by distance from the casino. A set of assumptions is presented in **Table 3.7-14**, which indexes drive-time distances with propensities to 6-mile, average annual trips and average trip budgets for the distances expressed:

TABLE 4.7-14
INDEX OF DRIVE TIMES, PROPENSITY TO 6-MILE, AVERAGE ANNUAL TRIPS AND AVERAGE TRIP BUDGETS

Drive Time	Propensity to 6-Mile	Annual Trips	Average Trip Budget
0 – 20 Minutes	35%	14	\$50.00
20 – 40 Minutes	30%	10	\$80.00
40 – 60 Minutes	20%	8	\$100.00

SOURCE: ERA, 2005

Map A and **Map B** in **Figure 4.7-1** show the subdivided 60-minute drive-time markets for the Milwaukee and Kenosha areas, respectively. As shown on **Map C** in **Figure 4.7-1**, there is no overlap between the 20-minute markets of each respective facility. Thus, it is determined that the proposed Kenosha facility will pose no impact to the Milwaukee facility's 0 – 20-minute market (673,763 adults).

The Milwaukee facility's 20 – 40-minute market consists of 346,286 adults. An overlap occurs in the 20 – 40 minute market areas for both facilities (**Map A** on **Figure 4.7-2**). The resulting overlap area contains approximately 56,000 adults. Assuming proximity to be the sole criteria in selecting a gaming facility for this population, approximately 36,500 would be expected to select Kenosha as their destination. The resulting potential net loss to the Milwaukee facility's 20 – 40-mile market would be approximately 10%.

Figure 4.7-1

Figure 4.7-2

For the Milwaukee casino's 40 – 60-minute market area (355,453 adults), there is considerable overlap (**Map B** and **Map C** on **Figure 4.7-2**). This overlap area contains approximately 229,000 adults that actually live closer to the Kenosha facility. If this entire population were to select the Kenosha location it would result in a net loss for the Milwaukee 40 to 60-mile market of 65%.

Conclusions

Using the above calculations and assumptions, it is estimated that the Milwaukee casino program currently has an annual gaming revenue (i.e. population, annual trips, average budget) from the total 60-minute drive time area of \$305 million dollars. If all of the adults in the overlap market areas (20 – 40 and 40 – 60 minute drive times) were to elect to visit the closest facility, the FCP facilities in Milwaukee could potentially lose approximately 265,000 adults out of its market areas. This group represents 12% of its estimated 4.9 million annual gaming visitors for the one-hour drive market sub-areas.

For the purpose of this analysis, as summarized in **Table 4.7-15**, it is also assumed that 20% of the Potawatomi casino customer base comes from outside the study area, from throughout the rest of the State of Wisconsin including the capture areas for the Ho-Chunk Nation facilities.

TABLE 4.7-15
MARKET IMPACT ANALYSIS

Market Area	Gaming Visits	Current Revenue Estimate	Impact	Future Resource Estimate
0 – 20 Minutes	3,300,000	\$165 Million	-0-	\$50.00
20 – 40 Minutes	1,038,000	\$83 Million	-10%	\$80.00
40 – 60 Minutes	569,000	\$57 Million	-65%	\$100.00
State	981,000	\$78 Million*	-0-	\$78 Million
	5,888,000	\$383 Million		\$338 Million

* Trip budgets of \$80 were used to estimate revenues from Milwaukee season visitors from beyond the 1-hour drive area.

SOURCE: ERA, 2005

The resulting impacts to Forest County Potawatomi and the Ho-Chunk Nation would be less than significant.

4.7.2 ALTERNATIVE B – REDUCED INTENSITY ALTERNATIVE

ECONOMIC EFFECTS FROM CONSTRUCTION

Construction of Alternative B would create jobs, earnings and taxes. **Table 4.7-16** summarizes all of the projected expenditures and anticipated capital costs for Alternative B. As noted in **Table**

4.7-1, this alternative has a total projected development budget of \$90,001,000. This budget includes the projected costs associated with material and labor, bought locally, in other parts of Wisconsin, and out of state.

TABLE 4.7-16
SUMMARY CONSTRUCTION BUDGET – ALTERNATIVE B

Budget Category	Dollars
Site Acquisition	40,500,000
Construction/Site Work	9,487,000
Furniture, Fixtures & Equipment	1,370,000
Miscellaneous Costs	11,098,000
Multi-Purpose Entertainment Facility	-
Gaming Related Equipment	8,669,000
Financial Costs	17,449,000
Contingency	1,428,000
Total Construction Budget	90,001,000

SOURCE: ERA, 2004; AES, 2005.

ECONOMIC EFFECTS FROM OPERATION

Employment

The operation of Alternative B would create jobs, earnings, and fringe benefits. **Table 4.7-17** summarizes the estimated employment, wages, and benefits.

Table 4.7-17 shows the total employment of Alternative B. However, the DGP currently employs approximately 258 workers. The incremental change in the number of employees at the project site is accordingly estimated by subtracting the existing employees from the total employees. Once Alternative B opens, the casino will need to hire about 850 additional workers. Residents of Wisconsin would fill an estimated 680 of these new jobs.

Estimated Expenditures on Goods and Services

Table 4.7-18 outlines the operating budget for Alternative B. Based on the location of the project, a large amount of the supplies needed for the project probably cannot be purchased from the Kenosha area because the local market may not produce or manufacture many of these goods. For purposes of this report, it is estimated that approximately 25 percent of the total goods, services, insurance and utility expenditures would be purchased locally.

HOUSING

The development of Alternative B would result in the creation of approximately 1,109 new jobs. As discussed above, the majority of employees would primarily come from Kenosha, Racine, and

TABLE 4.7-17
ESTIMATED EMPLOYMENT WAGES AND COMPENSATION – ALTERNATIVE B

Wages and Compensation	
Total Non-Management FTE Workers	1,109
Average Hourly Rate	14.27
Average Annual Wage	29,682
Average Benefits Per FTE	12,700
Average Annual Wages and Benefits	42,382
Total Annual Wages	35,607,000
Total Annual Benefits	14,863,000
Total Annual Non-Management Compensation	50,470,000
Total Management Wages	2,120,000
Total Annual Compensation	52,590,000

SOURCE: ERA, 2004

TABLE 4.7-18
SUMMARY OF EXPENDITURES ON GOODS AND SERVICES – ALTERNATIVE B

Expenditures	Dollars
Costs of Goods Sold	2,198,000
Casino Special Events and Entertainment	2,688,000
Marketing, Promotions, and Advertising	5,664,000
Utilities, Insurance, Fees and G&A	16,164,000
Total	26,714,000

SOURCE: ERA, 2004

Walworth Counties. It is expected that most employees would reside within their existing communities and would not need to relocate. However, some employees may choose to relocate to Kenosha and the surrounding communities. As noted in Section 3.7, approximately 7,087 vacant available units were available in 2000, a significantly higher number than the number of jobs created by Alternative B. Due to the existing labor base in surrounding communities and the number of available vacant units, the potential effects to housing are expected to be less than significant.

COMMUNITY INFRASTRUCTURE

Schools

As discussed in **Section 2**, through the provisions of the IGA the Tribe has committed to providing payments to the Kenosha Unified School District and the County to distribute to other school districts. While the IGA specified under Alternative A would not apply, a similarly framed agreement of necessarily reduced scope would be negotiated between the Tribe, City and County. Being similarly framed, such an agreement would also include provisions for payments to local school districts as well as to schools on the Menominee Indian Reservation. As such, it is anticipated that buildout of Alternative B would result in beneficial effects to schools, though not presently quantified.

POTENTIAL SOCIAL COSTS ASSOCIATED WITH GAMBLING

Substantial research has been conducted on the social costs associated with gambling across the nation, most comprehensively in a report issued by the National Gambling Impact Study Commission (NGISC, 1999). The NGISC commissioned companion reports on the issues of pathological or compulsive gambling by the National Research Council (NRC) and National Opinion Research Center (NORC). The results of these reports are summarized under Alternative A.

The Tribe is concerned about problem gamblers and the potential social and economic costs associated with pathological gamblers. Accordingly, the Tribe, through the MKGA, will create and implement a detailed, responsible gaming policy as identified in Section 2(C) of the IGA (**Appendix B**). The Authority's responsible gaming policy will include the following provisions identified under Alternative A above. These measures would reduce the occurrence of problem gambling behavior at the proposed casino and would provide substantial resources to community programs that address problem gambling issues. Therefore, the potential effects from problem and pathological gambling are expected to be less than significant.

EFFECTS TO THE MENOMINEE INDIAN TRIBE

The casino is projected to generate millions of dollars annually for the Tribe. Revenues generated by Alternative B would be used to better the socioeconomic conditions of tribal members by funding tribal programs, including health care, law enforcement and education. Though these revenues will assist in alleviating the chronic under-funding of tribal programs, it is anticipated that buildout of Alternative B would fall short of meeting the Purpose and Need when taking acquisition costs and payments under the Compact with the State of Wisconsin and associated agreements with local jurisdictions.

EFFECTS TO LOCAL AND STATE GOVERNMENTS

The Tribe, through the MKGA, would pay the State of Wisconsin between 7-7.5% of the Net Win. Net Win is the amount retained by the casino after winnings and bad debt is subtracted from the total amount bet. As shown in **Table 4.7-19**, this annual payment to the State of Wisconsin is estimated to total approximately \$12 million.

Intergovernmental Agreement Payments

The IGA (**Appendix B**) defines the various types of payments and contributions MKGA will make. These payments are summarized in **Table 4.7-19** and are described below. Under Alternative B, it is likely that these payments would be renegotiated.

- Net Win Payment to the City - After establishment of Federal Trust Land, the Tribe will pay the City 3% of Net Win.
- Payments to School Districts - When payments to the City exceed \$2 million (which is anticipated in each full year), the City shall provide \$500,000 to the Kenosha Unified School District and the County shall provide \$500,000 to be distributed to the high school districts located west of I-94 in the County of Kenosha.

TABLE 4.7-19
CHARITABLE CONTRIBUTIONS AND PAYMENTS TO THE STATE AND CITY– ALTERNATIVE B

Contributions and Payments	Dollars
Compact Payments to the State	12,100,000
Payments to the City	4,900,000
Charitable Contributions	
One time payment-to City	5,000,000
Payments to Schools by Tribe	
Kenosha Unified School District	1,500,000
Menominee Indian Reservation	1,500,000
Responsible Gaming Program-to County	150,000

SOURCE: ERA, 2004

Payments and Charitable Contributions

The Tribe has committed to make charitable contributions through the IGA which are described under Alternative A. It is likely that these payments and contributions would be substantially reduced under Alternative B.

Sales Taxes

Using the visitor projections supplied through the Market Assessment and discounting Kenosha patrons and overnight visitors, the number of day trip visitors from outside the Kenosha area was projected (**Table 4.7-20**). Projected total sales expenditures are based on an average expenditure of \$5 for food and beverage, retail, and miscellaneous expenditures outside of the casino.

TABLE 4.7-20
ESTIMATED VISITOR EXPENDITURES AND SALES TAXES GENERATED OUTSIDE THE CASINO IN
THE KENOSHA AREA – ALTERNATIVE B

Expenditures and Sales	
Overnight Visitors	150,000
Total Expenditures	\$6,750,000
Day Trip Visitors from Outside Kenosha Area	858,000
Food, Retail, Miscellaneous Expenditures	\$4,288,000
Total Retail Expenditures	\$11,038,000
Retail Taxes	
State	\$552,000
County	\$55,200
Total	\$607,200

SOURCE: ERA, 2004

Retail Sales Taxes on Items Purchased at Casino

Based on retail revenue projections and using the assumptions regarding tribal sales taxes, **Table 4.7-21** illustrates the various taxes generated through retail sales.

State Income Taxes from Wisconsin Casino Employees

The jobs created by Alternative B, with the substantial total payroll associated with the jobs, would create an additional source of revenue for the State. Using state income tax rates published by the Wisconsin Department of Revenue, the state income taxes generated by each individual casino employee and managerial employees was calculated based on each of their respective wages. As noted above it is assumed that 80% of these workers would be from Wisconsin. The remaining employees would pay income taxes in their resident states. The **Table 4.7-22** summarizes the total amount of taxes generated for the State of Wisconsin from Alternative B.

TABLE 4.7-21
ESTIMATED TAXES GENERATED FOR THE COUNTY THROUGH TRIBAL SALES TAXES –
ALTERNATIVE B

Tribal Sales Taxes	
Projected Revenue	
Food & Beverage	5,600,000
Retail	150,000
Entertainment	-
Estimated County Taxes Generated	94,000

NOTE: The MKGA agreed to charge a tribal sales tax payable to the County of Kenosha. Projected revenue potential was discounted for complementary rooms.

SOURCE: ERA, 2004

TABLE 4.7-22
ESTIMATED STATE INCOME TAXES GENERATED – ALTERNATIVE B

Estimated State Income Taxes Generated	
Annual Taxes for FTE Workers from Wisconsin	1,675,000
Annual Taxes from Managerial Wages	136,000
Total Taxes	1,811,000

NOTE: *Includes the salaries provided by a third party.

SOURCE: ERA, 2004

Property Taxes from Wisconsin Casino Employees

For new property taxes to be taken into consideration the number of employees who either relocated to the area or will be able afford to buy a home and pay property taxes because of the development of Alternative B was estimated. Based on the assumption that most future casino employees are already in the area, it is expected that Alternative B would have no direct property tax implications.

Retail Sales Taxes from Wisconsin Casino Employees

As noted in previous sections, it was determined that approximately 32% of household income could be susceptible to sales tax. As shown in **Table 4.7-23**, by the completion of Alternative B, over \$500,000 in additional sales taxes are anticipated. The managerial employees will also spend a portion of their income in the local area and this will increase state and county taxes from retail sales. Based upon estimated sales taxes, there will be significant benefit to existing retail space and some demand for new retail space.

TABLE 4.7-23
SALES TAXES GENERATED FROM WISCONSIN CASINO EMPLOYEES¹ – ALTERNATIVE B

	Dollars
State Taxes	457,000
County Taxes	46,000
Total Taxes	503,000

NOTES: 1. In Nominal Dollars - determined using a 2.5% inflation rate
2. Includes taxes generated by third party employees
SOURCE: ERA, 2004

Summary of Effects to Local and State Governments

As detailed above, Alternative A would provide substantial new revenues for state and local governments. These payments, including fees, taxes, and contributions have been negotiated with the City of Kenosha and the County of Kenosha to mitigate potential fiscal impacts to these jurisdictions. The payments are expected to compensate these jurisdictions for services and support to the proposed development including law enforcement and judicial service, fire protection, emergency medical service, traffic controls, bus service, sewer and water service, stormwater control, street and highway maintenance and plowing, social services, alcohol beverage licenses, and other services. Effects to local and state governments are therefore considered to be less than significant.

4.7.3 ALTERNATIVE C – KESHENA SITE ALTERNATIVE

ECONOMIC EFFECTS FROM CONSTRUCTION AND OPERATION

Construction and operation of Alternative C would create jobs and earnings within the Menominee Indian Reservation. The expansion of the existing casino would assist in alleviating unemployment that is estimated at approximately eight percent. The economic effect of Alternative C, however, would be substantially reduced in comparison to Alternative A due to the remote location of the existing casino, which results in a competitive disadvantage with other gambling venues.

HOUSING

The development of Alternative C would result in the creation of new jobs. It is expected that most employees would reside within the Menominee Region (Menominee, Langlade, Oconto, and Shawano Counties), where there are approximately 3,020 unemployed workers, and would not need to relocate. However, some employees may choose to relocate to Keshena and the surrounding communities. As noted in Section 3.7, approximately 2,352 vacant units were available in 2000 in the region. Due to the existing labor base in surrounding communities and

the number of available vacant units, the potential effects to housing are expected to be less than significant.

POTENTIAL SOCIAL COSTS ASSOCIATED WITH GAMBLING

Substantial research has been conducted on the social costs associated with gambling across the nation, most comprehensively in a report issued by the National Gambling Impact Study Commission (NGISC, 1999). The NGISC commissioned companion reports on the issues of pathological or compulsive gambling by the National Research Council (NRC) and National Opinion Research Center (NORC). The results of these reports are summarized under Alternative A. Expansion of the existing casino is not expected to significantly increase the access of residents to opportunities to gamble; therefore the development of Alternative C is not expected to result in significant effects with regards to the social costs associated with gambling.

EFFECTS TO THE MENOMINEE INDIAN TRIBE

The casino would create revenue for the Tribe, however, as noted above, the revenue would be substantially less than that generated under Alternative A. Revenues generated by Alternative C would be used to better the socioeconomic conditions of tribal members by funding tribal programs, including health care, law enforcement and education. These revenues will assist in alleviating the chronic under-funding of tribal programs.

4.7.4 ALTERNATIVE D – HOTEL-CONFERENCE CENTER AND RECREATIONAL DEVELOPMENT

ECONOMIC EFFECTS FROM CONSTRUCTION AND OPERATION

Construction and operation of Alternative D would create jobs and earnings within the Kenosha area and expand the existing economic impact of the DGP. Alternative D would employ additional workers through construction and operation of the hotel-conference center, water park, miniature golf facilities, gift shop, video arcade and food and beverage facilities.

HOUSING

The development of Alternative D would result in the creation of new jobs. It is expected that most employees would reside within the Kenosha Region (Kenosha, Racine and Walworth Counties), where there are approximately 11,625 unemployed workers, and would not need to relocate. However, some employees may choose to relocate to Kenosha and the surrounding communities. As noted in Section 3.7, approximately 7,087 vacant units were available in 2000 in the region. Due to the existing labor base in surrounding communities and the number of available vacant units, the potential effects to housing are expected to be less than significant.

POTENTIAL SOCIAL COSTS ASSOCIATED WITH GAMBLING

Alternative D would not introduce a new venue for gambling. No impacts would occur with respect to the potential social costs associated with gambling.

EFFECTS TO THE MENOMINEE INDIAN TRIBE

Revenues generated by Alternative D would be used to better the socioeconomic conditions of tribal members by funding tribal programs, including health care, law enforcement and education. Though these revenues will assist in alleviating the chronic under-funding of tribal programs, it is anticipated that buildout of Alternative B would fall short of meeting the Purpose and Need when taking acquisition costs and payments under the Compact with the State of Wisconsin and associated agreements with local jurisdictions.

4.7.5 ALTERNATIVE E – NO ACTION

Under the No Action Alternative, the Tribe would be precluded from benefiting from an increased revenue stream associated with gaming or other commercial activities at the DGP site. Under this alternative, the existing DGP would continue to operate in the near term. Due to the declining business prospects of greyhound racing in Kenosha, the long-term viability of the DGP operation is uncertain under this alternative.